

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION**

Independent Auditors' Reports
Basic Financial Statements and
Required Supplementary Information
Schedule of Findings

June 30, 2016 and 2015

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RURAL IOWA WASTE MANAGEMENT ASSOCIATION

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Jody Anderson	Chairperson	Hardin County Solid Waste
Rusty Eddy	Vice-Chairperson	Butler County Board of Supervisors
Lance Granzow	Member	Hardin County Board of Supervisors
Deb Prier	Member	Butler County Solid Waste
Dan Aastrup	Landfill Manager	



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report

To the Members of the Rural Iowa Waste
Management Association:

Report on the Financial Statements

We have audited the accompanying financial statements of the Rural Iowa Waste Management Association as of and for the years ended June 30, 2016 and 2015, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Iowa Waste Management Association as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Association's Proportionate Share of the Net Pension Liability and the Schedule of Association Contributions on pages 4 through 7 and 24 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2016 on our consideration of the Rural Iowa Waste Management Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Rural Iowa Waste Management Association's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

November 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Rural Iowa Waste Management Association provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the years ended June 30, 2016 and 2015. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- ◆ The Association's operating revenues decreased 3.4%, or \$45,901, from fiscal year 2015 to fiscal year 2016. Gate fees and other operating revenues decreased.
- ◆ The Association's operating expenses were 12.9%, or \$127,428 more in fiscal year 2016 than in fiscal year 2015.
- ◆ The Association's net position increased 5.5%, or \$205,031, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The Rural Iowa Waste Management Association is a 28E organization and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Rural Iowa Waste Management Association's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Statements of Net Position present information on the Association's assets and deferred outflows of resources less the Association's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position are the basic statements of activities for proprietary funds. These statements present information on the Association's operating revenues and expenses, non-operating revenues and expenses and whether the Association's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Association's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Association financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Association's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Association's financial position. The Association's net position at the end of fiscal year 2016 totaled \$3,936,048. This compares to \$3,731,017 at the end of fiscal year 2015. A summary of the Association's net position is presented below.

Net Position		
	June 30,	
	2016	2015
Current assets	\$ 1,155,450	1,853,824
Restricted investments	1,618,957	1,560,577
Capital assets at cost, less accumulated depreciation	3,048,671	2,673,815
Total assets	5,823,078	6,088,216
Deferred outflows of resources	27,198	20,105
Current liabilities	136,126	642,471
Noncurrent liabilities	1,768,783	1,702,800
Total liabilities	1,904,909	2,345,271
Deferred inflows of resources	9,319	32,033
Net position:		
Net investment in capital assets	2,842,191	2,388,268
Restricted	294,166	433,902
Unrestricted	799,691	908,847
Total net position	\$ 3,936,048	3,731,017

The unrestricted portion of the Association's net position (20.3%) may be used to meet the Association's obligations as they come due. The invested in capital assets (e.g. land, buildings and equipment), less the related debt portion of net position (72.2%) are resources allocated to capital assets. The remaining net position (7.5%) is restricted for closure and postclosure care, local government dedicated fund and for debt service requirements. State and federal laws and regulations require the Association to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste from the residents of the Counties. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015 is presented below:

Changes in Net Position		
	Year ended June 30,	
	2016	2015
Operating revenues:		
Gate fees	\$ 1,311,131	1,356,964
Other operating revenues	151	219
Total operating revenues	1,311,282	1,357,183
Operating expenses:		
Salaries and benefits	211,376	200,143
Travel, meetings and dues	2,965	2,452
Office expenses	1,860	2,033
Advertising and printing	1,213	1,199
Legal and accounting	15,513	16,568
Insurance	23,616	25,371
Site utilities	11,120	13,664
Tonnage fees	82,482	91,817
Site maintenance	146,304	175,451
Equipment repair and maintenance	37,037	38,624
Closure and postclosure care	119,049	(39,853)
Long range planning and engineering	19,449	22,067
Depreciation	435,778	417,878
Miscellaneous	8,183	21,103
Total operating expenses	1,115,945	988,517
Operating income	195,337	368,666
Non-operating revenues (expenses):		
Interest income	19,069	12,686
Interest expense	(9,375)	(8,255)
Net non-operating revenues	9,694	4,431
Change in net position	205,031	373,097
Net position beginning of year	3,731,017	3,357,920
Net position end of year	\$ 3,936,048	3,731,017

The Statements of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position at the end of the fiscal year.

In fiscal year 2016, operating revenues decreased \$45,901, or 3.4%, primarily a result of gate fees decreasing approximately \$45,800 due to a decrease in tonnage received. Operating expenses increased \$127,428, or 12.9%. The increase was due to an increase in salaries and benefits, an increase in depreciation, and the closure/postclosure cost adjustment.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes the purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2016, the Association had approximately \$3.05 million invested in capital assets, net of accumulated depreciation of approximately \$3.83 million. Depreciation expense totaled \$435,778 and \$417,878 for fiscal years 2016 and 2015, respectively. More detailed information about the Association's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At June 30, 2016 and 2015, the Association had \$206,480 and \$285,547, respectively, in long-term debt outstanding, a decrease of \$79,067 from June 30, 2015. The table below summarizes the outstanding long-term debt by type.

	June 30,	
	2016	2015
Note payable - equipment	\$ <u>206,480</u>	<u>285,547</u>

Additional information about the Association's note payable is presented in Notes 4 to the financial statements.

ECONOMIC FACTORS

The Rural Iowa Waste Management Association continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Association officials. Some of the realities which may potentially become challenges for the Association to meet are:

- ◆ Facilities and equipment at the Association require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Association anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Association's ability to react to unknown issues.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rural Iowa Waste Management Association, 20488 M Avenue, Eldora, Iowa 50627.

RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Exhibit A

Statements of Net Position June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,009,198	1,724,612
Accounts receivable	124,482	117,884
Prepaid insurance	21,131	10,689
Deposits	639	639
Total current assets	<u>1,155,450</u>	<u>1,853,824</u>
Noncurrent assets:		
Restricted investments	1,618,957	1,560,577
Capital assets, net of accumulated depreciation	<u>3,048,671</u>	<u>2,673,815</u>
Total noncurrent assets	<u>4,667,628</u>	<u>4,234,392</u>
Total assets	<u>5,823,078</u>	<u>6,088,216</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>27,198</u>	<u>20,105</u>
Liabilities		
Current liabilities:		
Accounts payable	22,722	521,369
Salaries and benefits payable	16,004	13,201
Accrued liabilities	16,450	28,938
Current portion of note payable	80,950	78,963
Total current liabilities	<u>136,126</u>	<u>642,471</u>
Noncurrent liabilities:		
Note payable	125,530	206,584
Landfill closure and postclosure care	1,531,271	1,412,222
Net pension liability	<u>111,982</u>	<u>83,994</u>
Total noncurrent liabilities	<u>1,768,783</u>	<u>1,702,800</u>
Total liabilities	<u>1,904,909</u>	<u>2,345,271</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>9,319</u>	<u>32,033</u>
Net position		
Net investment in capital assets	2,842,191	2,388,268
Restricted for:		
Debt service	206,480	285,547
Closure and postclosure care	87,686	148,355
Unrestricted	<u>799,691</u>	<u>908,847</u>
Total net position	<u>\$ 3,936,048</u>	<u>3,731,017</u>

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Statements of Revenues, Expenses and
Changes in Net Position
Years ended June 30, 2016 and 2015**

Exhibit B

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Gate fees	\$ 1,311,131	1,356,964
Other operating revenues	151	219
Total operating revenues	<u>1,311,282</u>	<u>1,357,183</u>
Operating expenses:		
Salaries and benefits	211,376	200,143
Travel, meetings and dues	2,965	2,452
Office expenses	1,860	2,033
Advertising and printing	1,213	1,199
Legal and accounting	15,513	16,568
Insurance	23,616	25,371
Site utilities	11,120	13,664
Tonnage fees	82,482	91,817
Site maintenance	146,304	175,451
Equipment repair and maintenance	37,037	38,624
Closure and postclosure care	119,049	(39,853)
Long range planning and engineering	19,449	22,067
Depreciation	435,778	417,878
Miscellaneous	8,183	21,103
Total operating expenses	<u>1,115,945</u>	<u>988,517</u>
Operating income	<u>195,337</u>	<u>368,666</u>
Non-operating revenues (expenses):		
Interest income	19,069	12,686
Interest expense	(9,375)	(8,255)
Net non-operating revenues	<u>9,694</u>	<u>4,431</u>
Change in net position	205,031	373,097
Net position beginning of year	<u>3,731,017</u>	<u>3,357,920</u>
Net position end of year	<u>\$ 3,936,048</u>	<u>3,731,017</u>

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION**
Statements of Cash Flows
Years ended June 30, 2016 and 2015

Exhibit C

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from gate fees	\$ 1,304,533	1,379,046
Cash received from other operating receipts	151	219
Cash paid to suppliers for goods and services	(870,335)	94,424
Cash paid to employees for services	(211,376)	(200,143)
Net cash provided by operating activities	<u>222,973</u>	<u>1,273,546</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(810,634)	(970,375)
Principal paid on debt	(79,067)	(76,652)
Interest paid on debt	(9,375)	(8,255)
Net cash used by capital and related financing activities	<u>(899,076)</u>	<u>(1,055,282)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(58,380)	(50,352)
Interest received	19,069	12,686
Net cash used by investing activities	<u>(39,311)</u>	<u>(37,666)</u>
Net increase (decrease) in cash and cash equivalents	(715,414)	180,598
Cash and cash equivalents beginning of year	<u>1,724,612</u>	<u>1,544,014</u>
Cash and cash equivalents end of year	<u>\$ 1,009,198</u>	<u>1,724,612</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>195,337</u>	<u>368,666</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	435,778	417,878
Closure and postclosure care	119,049	(39,853)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,598)	22,082
(Increase) decrease in prepaid items	(10,442)	(4,583)
(Decrease) increase in accounts payable	(498,647)	505,773
(Decrease) increase in salaries and benefits payable	2,803	452
(Decrease) increase in accrued liabilities	(12,488)	10,350
(Decrease) increase in net pension liability	27,988	(31,523)
Decrease (increase) in deferred outflows of resources	(7,093)	(7,729)
(Decrease) increase in deferred inflows of resources	(22,714)	32,033
Total adjustments	<u>27,636</u>	<u>904,880</u>
Net cash provided by operating activities	<u>\$ 222,973</u>	<u>1,273,546</u>

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements
June 30, 2016 and 2015**

(1) Summary of Significant Accounting Policies

The Rural Iowa Waste Management Association was formed in 1994 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Association is to operate the sanitary landfill within the boundaries of Butler and Hardin Counties for use by all residents of the Counties.

The Association is composed of one representative from each of the following two Commissions: Butler County Solid Waste Commission and Hardin County Solid Waste Disposal Commission and one representative each from the Hardin County Board of Supervisors and the Butler County Board of Supervisors. Each Commission and Board shall appoint one representative and one alternate to serve in the absence of their respective representative. Representatives and alternates shall serve for one year or until the Association receives a new written notification from the respective Commission of the appointment of a new appointee.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Rural Iowa Waste Management Association has included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Association has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION**
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Association distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Association's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statements of Net Position:

Cash, Cash Equivalents and Investments – The Association considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2016 and 2015 include certificates of deposit of \$1,618,957 and \$1,560,577, respectively.

Restricted Investments – Funds set aside for payment of closure and postclosure care are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Association as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings	\$ 25,000
Equipment and vehicles	5,000
Land improvements	5,000
Land	5,000

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements (Continued)
June 30, 2016 and 2015**

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Capital assets of the Association are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	39
Equipment and vehicles	7 – 30
Land improvements	5 – 10

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2016 and 2015.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Association after the measurement date but before the end of the Association's reporting period.

Compensated Absences – Association employees accumulate a limited amount of earned but unused sick hours for payment upon retirement. The Association's liability for accumulated sick hours has been computed based on ten dollars per hour.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements (Continued)
June 30, 2016 and 2015**

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statements of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on IPERS investments.

(2) Cash, Cash Equivalents and Investments

The Association's deposits in banks at June 30, 2016 and 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to ensure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements (Continued)
June 30, 2016 and 2015**

(3) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Construction in progress	\$ 970,375	-	970,375	-
Land	149,900	-	-	149,900
	<u>1,120,275</u>	<u>-</u>	<u>970,375</u>	<u>149,900</u>
Capital assets being depreciated:				
Buildings	243,116	9,114	-	252,230
Land improvements	2,544,684	1,566,243	-	4,110,927
Equipment and vehicles	2,320,762	264,586	215,238	2,370,110
Total capital assets being depreciated	<u>5,108,562</u>	<u>1,839,943</u>	<u>215,238</u>	<u>6,733,267</u>
Less accumulated depreciation for:				
Buildings	74,861	7,551	-	82,412
Land improvements	2,062,940	232,125	-	2,295,065
Equipment and vehicles	1,417,221	196,102	156,304	1,457,019
Total accumulated depreciation	<u>3,555,022</u>	<u>435,778</u>	<u>156,304</u>	<u>3,834,496</u>
Total capital assets being depreciated, net	<u>1,553,540</u>	<u>1,404,165</u>	<u>58,934</u>	<u>2,898,771</u>
Capital assets, net	\$ <u>2,673,815</u>	<u>1,404,165</u>	<u>1,029,309</u>	<u>3,048,671</u>

(4) Note Payable

During the 2014 fiscal year, the Association financed the purchase of a compactor with a loan through Caterpillar Financial. Semi-annual payments of \$42,801 are required to maturity for the note are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	2.49%	\$ 80,950	4,652	85,602
2018		82,986	2,616	85,602
2019		42,544	632	43,176
Total		\$ <u>206,480</u>	<u>7,900</u>	<u>214,380</u>

During the year ended June 30, 2016 and 2015, \$79,067 and \$76,652 of principal and \$6,394 and \$8,255 of interest was paid on the notes, respectively.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION**
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Association, except those covered by another retirement system. Employees of the Association are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements (Continued)
June 30, 2016 and 2015**

(5) Pension Plan (Continued)

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Association contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Association's contributions to IPERS for the year ended June 30, 2016 totaled \$13,456.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Association reported a liability of \$111,982 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Association's proportion of the net pension liability was based on the Association's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Association's collective proportion was 0.0022666%, which was an increase of 0.000149% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Association recognized pension expense of \$11,637. At June 30, 2016, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements (Continued)
June 30, 2016 and 2015**

(5) Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,692	-
Changes of assumptions	3,083	-
Net difference between projected and actual earnings on IPERS investments	-	9,319
Changes in proportion and differences between Association contributions and the Association's proportionate share of contributions	8,967	-
Association contributions subsequent to the measurement date	13,456	-
Total	<u>\$ 27,198</u>	<u>9,319</u>

\$13,456 reported as deferred outflows of resources related to pensions resulting from the Association contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2017	\$ (920)
2018	\$ (920)
2019	\$ (920)
2020	\$ 6,655
2021	\$ 528
	<u>\$ 4,423</u>

There were no non-employer contributing entities at IPERS.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION**
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

(5) Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	
(effective June 30, 2014)	3.00% per annum.
Rates of salary increase	4.00 to 17.00% average, including inflation.
(effective June 30, 2010)	Rates vary by membership group.
Long-term investment rate of return	7.50% compounded annually, net of investment
(effective June 30, 1996)	expense, including inflation.
Wage growth	4.00% per annum, based on 3.00% inflation
(effective June 30, 1990)	and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Association will be made at contractually required rates, actuarially determined. Based on those assumptions,

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements (Continued)
June 30, 2016 and 2015**

(5) Pension Plan (Continued)

IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Association's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Association's proportionate share of the net pension liability	\$ 196,060	111,982	41,014

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2016, the Association reported payables to IPERS' of \$1,113 for legally required Association contributions and \$742 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(6) Closure and Postclosure Care

To comply with federal and state regulations, the Association is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements (Continued)
June 30, 2016 and 2015**

(6) Closure and Postclosure Care (continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The costs for the Association have been estimated at \$560,700 and \$591,800, respectively, for the vertical expansion area and \$3,012,500 and \$2,381,000, respectively, and for closure and postclosure care for the horizontal expansion area for a total of \$3,573,200 and \$2,972,800, respectively, as of June 30, 2016 and 2015, and the portion of the liability that has been recognized is \$1,531,271 and \$1,412,222, respectively. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2016 and 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated total remaining capacity is 1,291,583 tons at June 30, 2016 and 1,320,475 tons at June 30, 2015. There were 27,572 tons of waste disposed at the facility for the year ended June 30, 2016, and 28,892 tons at June 30, 2015.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Association has begun accumulating resources to fund these costs and, at June 30, 2016, assets of \$1,618,957 are restricted for these purposes. They are reported as restricted investments in the Statements of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Association is required to demonstrate financial assurance for the unfunded costs. The Association has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Association must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements (Continued)
June 30, 2016 and 2015**

(6) Closure and Postclosure Care (continued)

Chapter 567-113.14(8) of the IAC allows the Association to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Association is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanisms.

(7) Solid Waste Tonnage Fees Retained

The Association has established an account for restricting and using solid waste tonnage fees retained by the Association in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2016 and 2015, the Association had no unspent amounts retained and restricted for the required purposes.

(8) Risk Management

The Association is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Association's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Association's contributions to the Pool for the year ended June 30, 2016 and 2015 were \$15,082 and \$13,934, respectively.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Notes to Financial Statements (Continued)
June 30, 2016 and 2015**

(8) Risk Management (continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Association's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Association's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Association's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Association does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the Association's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool of reinsurance coverage since the Pool's inspection.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Association also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and employee blanket bond in the amount of \$2,000,000 and \$50,000, respectively. The Association assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Date of Management Evaluation

Management has evaluated subsequent events through November 9, 2016, the date on which the financial statements were available to be issued.

RURAL IOWA WASTE MANAGEMENT ASSOCIATION
Schedule of the Association's Proportionate Share
of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Two Years*
Required Supplementary Information

	2016	2015
Association's proportion of the net pension liability	0.0022666 %	0.0021179 %
Association's proportionate share of the net pension liability	\$ 111,982	83,994
Association's covered-employee payroll	\$ 155,283	138,587
Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11 %	60.61 %
IPERS' net position as a percentage of the total pension liability	85.19 %	87.61 %

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

RURAL IOWA WASTE MANAGEMENT ASSOCIATION
Schedule of Association Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
Required Supplementary Information

		2016	2015	2014	2013
Statutorily required contribution	\$	13,456	13,867	12,376	11,440
Contributions in relation to the statutorily required contribution		(13,456)	(13,867)	(12,376)	(11,440)
Contribution deficiency (excess)	\$	-	-	-	-
Association's covered-employee payroll	\$	150,682	155,283	138,587	131,954
Contributions as a percentage of covered-employee payroll		8.93%	8.93%	8.93%	8.67%

2012	2011	2010	2009	2008	2007
10,407	10,782	11,067	10,244	9,119	6,790
(10,407)	(10,782)	(11,067)	(10,244)	(9,119)	(6,790)
-	-	-	-	-	-
128,958	155,133	166,422	161,323	150,727	118,087
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

RURAL IOWA WASTE MANAGEMENT ASSOCIATION
Notes to Other Information - Pension Liability
Years Ended June 30, 2016 and 2015

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on Audits of Financial Statements Performed in Accordance with
Government Auditing Standards**



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on Audits of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Rural Iowa Waste Management Association:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Rural Iowa Waste Management Association as of and for the years ended June 30, 2016 and 2015, and the related Notes to Financial Statements, and have issued our report thereon dated November 9, 2016.

Internal Control Over Financial Reporting

In planning and performing the audit of the financial statements, we consider the Rural Iowa Waste Management Association's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Iowa Waste Management Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rural Iowa Waste Management Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Rural Iowa Waste Management Association's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies that we consider to be a material weakness, or important enough to merit attention by those charged with governance.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies that we consider to be a significant deficiency, or important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rural Iowa Waste Management Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Rural Iowa Waste Management Association's Responses to the Findings

The Rural Iowa Waste Management Association's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Rural Iowa Waste Management Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion of the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Rural Iowa Waste Management Association during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

November 9, 2016

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Schedule of Findings
Years ended June 30, 2016 and 2015**

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Schedule of Findings (Continued)
Years ended June 30, 2016 and 2015**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Association officials or employees were noted.
- (3) Board Minutes – Two transactions were found that we believe should have been approved in the Association minutes but were not.

During the year, the Association made the required closure/postclosure deposit during the year. However, the deposit was not approved in the board minutes.

The Association closed certificates of deposit during the year before maturity and combined the proceeds into one certificate of deposit. This transaction was not approved in the board minutes.

Recommendation – The Association should ensure all pertinent transactions are approved in the minutes.

Response – The Association will ensure all pertinent transactions are approved in the minutes.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- (5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Schedule of Findings (Continued)
Years ended June 30, 2016 and 2015**

- (6) Financial Assurance – The Association has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 3,573,200
Less: Balance of funds held in the local dedicated fund at June 30, 2015	<u>1,560,577</u>
	2,012,623
Divided by the number of years remaining in the pay-in period	44.70
Required payment into the local dedicated fund for the year ended June 30, 2016	45,022
Balance of funds held in the local dedicated fund at June 30, 2015	<u>1,560,577</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2016	<u>1,605,599</u>
Amount Association has restricted for closure and postclosure care at June 30, 2016	\$ <u>1,618,957</u>

- (7) Published Salaries – The Association did not publish annual gross salaries as required by an Attorney General’s opinion dated April 12, 1978.

Recommendation – The Association should publish annual individual salaries as required.

Response – The Association will publish annual salaries as required.

Conclusion – Response accepted.

RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Staff

This audit was performed by:

BOWMAN & MILLER, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

Nathan P. Minkel, CPA, Partner
Taylor G. Johnson, CPA, Manager